

## Message Text

UNCLASSIFIED

PAGE 01 BONN 14600 01 OF 02 131851Z

50

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /180 W

----- 006979

R 131829Z SEP 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5031

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 14600

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING SEPT 12)

REF: BONN 13921

L. NO CREDIT EASING MEASURES ANNOUNCED BY THE BUNDES-  
BANK. BUNDESBANK PRESIDENT KLASSEN, FOLLOWING THE  
SEPTEMBER 12 BIWEEKLY MEETING OF THE CENTRAL BANK  
COUNCIL, SAID THAT NO DECISIONS WERE MADE ON EASING  
THE TIGHT CREDIT CONDITIONS IN GERMANY. HE MENTIONED,  
HOWEVER, THAT SUCH MEASURES MIGHT BE FORTH-  
COMING FROM THE NEXT COUNCIL MEETING AT THE END OF  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 14600 01 OF 02 131851Z

SEPTEMBER.

2. LOSSES OF HESSIAN LANDESBANK LARGER THAN INITIALLY REPORTED. IT NOW APPEARS THAT THE LOSSES OF THE HESSIAN LANDESBANK (ON ITS PARTICIPATION IN THE FRANKFURTER INVESTITIONS- UND HANDELSBANK, ON LARGE CREDITS TO NOW BANKRUPT CONSTRUCTION PROJECTS AND ON FOREIGN EXCHANGE SPECULATIONS) WILL BE EVEN LARGER THAN PREVIOUSLY EXPECTED. ACCORDING TO PRESS REPORTS, THE OWNERS OF THE BANK (LAND HESSE AND THE HESSIAN SAVINGS BANKS) WILL HAVE TO PROVIDE IT WITH DM 300 - 600 MILLION OF NEW FINANCING.

3. BARDEPOT FORMALLY REMOVED. THE FEDERAL CABINET DECIDED ON SEPTEMBER 11 TO LIFT THE REMAINING 20 PERCENT BARDEPOT REQUIREMENT (SEE REFTTEL) WHICH OBLIGATED GERMAN BUSINESSES TO DEPOSIT 20 PERCENT OF CREDIT FROM FOREIGN SOURCES IN A NON-INTEREST BEARING ACCOUNT WITH THE BUNDESBANK. THE REMOVAL WAS MADE POSSIBLE, ACCORDING TO THE CABINET ANNOUNCEMENT, BECAUSE THE THREAT TO DOMESTIC ECONOMIC STABILITY CAUSED BY CAPITAL INFLOWS HAS ENDED AND "A CERTAIN REVALUATION TENDENCY" FOR THE DM IS DESIRABLE BECAUSE OF ITS DAMPENING EFFECT ON IMPORT PRICES.

4. FOREIGN EXCHANGE MARKET. THE SPOT DOLLAR RATE WEAKENED SOMEWHAT AFTER HAVING REACHED ON SEPTEMBER 5 THE YEAR'S PEAK SET ON MARCH 4. THE GERMAN FINANCIAL PRESS ATTRIBUTED THE SLOW BUT STEADY DOWNWARD MOVEMENT OF THE DOLLAR TO INTEREST RATE REDUCTIONS ON THE EURO DOLLAR MARKET. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

FORWARD DOLLARS (DISCOUNTS IN PCT. P.A.)				
SPOT DOLLARS		ONE-MONTH	THREE-MONTH	
SEPT 5	DM 2.6750	2.9	4.0	
6	2.6675	2.9	4.0	
9	2.6715	3.4	3.9	
10	2.6645	2.5	3.6	
11	2.6630	2.5	3.6	

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 14600 01 OF 02 131851Z

12	2.6675	2.5	3.3
----	--------	-----	-----

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK REMAINED THE WEAKEST CURRENCY WITH THE EXCEPTION OF THE DANISH CROWN AND THE SWEDISH CROWN ALL CURRENCIES REMAINED AT OR NEAR THEIR UPPER DEUTSCHEMARK INTERVENTION POINTS. ON SEPTEMBER 6 THE DEUTSCHEMARK HAD TO BE SUPPORTED BY THE NETHERLANDS AND

BELGIUM.

5. MONEY MARKET. THE GERMAN MONEY MARKET REMAINED  
TIGHT. ALL MONEY RATES REMAINED ABOVE 9 PERCENT, THE  
INTEREST RATE AT WHICH THE BUNDESBANK GRANTS LOMBARD  
CREDITS TO BANKS. DURING THE REPORTING WEEK FRANKFURT  
INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 14600 02 OF 02 131848Z

50

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /180 W

----- 006953

R 131829Z SEP 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5032

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 02 BONN 14600

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

SEPT 5 9.0-9.2 9.2-9.4 9.4-9.7

6 9.0-9.2 9.2-9.4 9.4-9.7

9	9.O-9.3	9.2-9.4	9.4-9.7
10	9.O-9.2	9.2-9.5	9.4-9.7
11	9.O-9.2	9.2-9.5	9.4-9.7
12	9.O-9.2	9.2-9.5	9.4-9.7

6. MONETARY RESERVES. IN THE FIRST WEEK OF SEPTEMBER (SEPTEMBER 1-7) BUNDESBANK MONETARY RESERVES DECLINED FURTHER (DM 1.1 BILLION) TO DM 88.2 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE DECLINED BY DM 5.6 BILLION  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 14600 02 OF 02 131848Z

WHILE "OTHER ASSETS" INCREASED BY DM 5.3 BILLION. ACCORDING TO THE BUNDESBANK, THIS REFLECTS THE RECENT LOAN TO ITALY. GROSS LIABILITIES INCREASED BY ABOUT DM 760 MILLION.

7. BANK LIQUIDITY. IN THE FIRST WEEK OF SEPTEMBER BANK LIQUIDITY INCREASED BY DM 0.2 BILLION. LIQUIDITY WAS INCREASED BY A DM 1-3 BILLION DECLINE IN NET ASSETS HELD AT THE BUNDESBANK AND THE USUAL DECLINE IN CURRENCY IN CIRCULATION AT THE BEGINNING OF A MONTH (DM 1 BILLION) FACTORS REDUCING LIQUIDITY INCLUDE A DM 1.1 BILLION REDUCTION IN MONETARY RESERVES HELD AT THE BUNDESBANK AND A DM 0.5 BILLION REDUCTION IN BANK RESERVES. OTHER FACTORS REDUCED LIQUIDITY BY DM 0.5 BILLION. BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE LOMBARD BORROWINGS BY DM 0.3 BILLION WHILE AT THE SAME TIME INCREASED REDISCOUNT BORROWINGS BY DM 0.1 BILLION.

8. BOND MARKET. PRICES OF DOMESTIC BONDS REMAINED STABLE. THE FAZ AVERAGE YIELDS TO MATURITY OF OUT-STANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

	8 PERCENT	7 PERCENT	6 PERCENT
SEPT 5	11.08	11-19	10.44
6	11.09	11-19	10.46
9	11-10	11.19	10.48
10	11.09	11.19	10.46
11	11.08	11.19	10.46
12	11.26	11.18	10.44

HILLENBRAND

UNCLASSIFIED

NNN



## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LAW, PRESS CONFERENCES, MEETINGS, AMENDMENTS, BANKS, FOREIGN EXCHANGE, BANK DEPOSITS, CREDIT CONTROLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BONN14600  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740256-1101  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740949/aaaabpkm.tel  
**Line Count:** 214  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** BONN 13921  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 JUL 2002 by maustmc>; APPROVED <18 JUL 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL DEVELOPMENTS (WEEK ENDING SEPT 12)  
**TAGS:** EFIN, GE  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005